



SECRET JUDICIAL
NO 3
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MEMORANDUM

SB285

DATE: February 6, 2009

TO: Senator Esp

FROM: Nancy Butler

SUBJECT: Montana State Fund Incentive Program – FY 2008

Montana State Fund's incentive program is designed to strengthen the link between the President's, Executive Staff's and Employees' incentive programs and concentrate focus at all levels for the company's financial well-being and success. Employees will understand what adds value to the company and translates into improved results, and they will clearly understand what they must do to improve them. They will be motivated by and benefit from the incentives they earn from improved results. The company will benefit from the additional gains that are created. (See the Incentive Program FY 2008 document for full plan description)

The plan consists of key success measures as follows:

- Generate Total Net Earned Premium of \$221.8 Million
 - ❖ Achieved: \$231.0 Million
- Achieve Fiscal Year Loss Ratio of 82.0%
 - ❖ Not Achieved: 84.1%
- Achieve Expense Ratio of 26.6% or Less
 - ❖ Achieved: 24.5%
- Attain Investment Income of \$41.5 Million
 - ❖ Achieved: \$44.3 Million
- Generate Net Operating Income of \$28.8 Million (Before Dividend)
 - ❖ Achieved: \$32.2 Million
- Achieve Enterprise-Wide Initiatives
 - ❖ See below

The plan also includes the following Enterprise-Wide Initiatives:

- Broaden and Deepen Employee Engagement
- Focus on Customer Satisfaction
- Create a Safer Montana
- Establish Standards as "Best in the Industry" Relative to Claim Resolution
- Provide the Appropriate Infrastructure to Realize the Montana State Fund Vision

Results were presented at the Montana State Fund Board of Directors' meeting of September 26, 2008. (See the FY 2008 SBP Performance document for full description of results)

The plan also includes function-specific initiatives. The function-specific initiatives for claims examiners are:

- Claims Quality Assurance
 - The purpose of this initiative was to evaluate the quality and effectiveness of claims handling. (See the items measured as attached – Exhibit A)
- Medical Bill Timeliness/Accuracy
 - The purpose of this initiative was to measure payment of medical bills and have medical bills paid within 30 days of Montana State Fund receipt. (See attached Exhibit B that demonstrates that 95.97% of medical bills were processed within 30 days)
- Old Fund
 - The purpose of this initiative was to reduce open claim counts. Net closures totaled 16.

FY 2008 Goal Sharing Payments

	<u>Total Goalsharing Incentive Award</u>	<u># of Employees Receiving Award</u>	<u>Average Incentive Award per Employee</u>
FY08	\$972,802	261	\$3,727